MINUTES

BUDGET & FINANCE COMMITTEE

January 6, 2016

A meeting of the Budget & Finance Committee of the Council of the County of Kaua'i, State of Hawai'i, was called to order by Arryl Kaneshiro, Chair, at the Council Chambers, 4396 Rice Street, Suite 201, Līhu'e, Kaua'i, on Wednesday, January 6, 2016, at 8:34 a.m., after which the following Members answered the call of the roll:

Honorable Mason K. Chock
Honorable Gary L. Hooser
Honorable Ross Kagawa *(present at 8:59 a.m.)*
Honorable KipuKai Kuali'i
Honorable Mel Rapozo *(not present at 10:45 a.m.)*
Honorable JoAnn A. Yukimura
Honorable Arryl Kaneshiro

The Committee proceeded on its agenda items as follows:

Bill No. 2606 A BILL FOR AN ORDINANCE AMENDING CHAPTER 5A, ARTICLE 9, KAUA'I COUNTY CODE 1987, AS AMENDED, BY ADDING A NEW SECTION 5A-9.3, RELATING TO A HOMESTEAD TAX CAP FOR HOME EXEMPTION AND LONG TERM AFFORDABLE RENTAL PROPERTIES **(This item was Deferred.)**

Councilmember Hooser moved for approval of Bill No. 2606, seconded by Councilmember Kuali'i.

Committee Chair Kaneshiro: It has been moved and seconded. We did have a presentation by Steve Hunt the last meeting we had, which was a few weeks ago. I know we did not have time to ask questions, so if anybody has questions, I will suspend the rules and we can ask the Administration questions on the presentation and just in general on the Bill itself.

There being no objections, the rules were suspended.

Committee Chair Kaneshiro: Any questions from the Councilmembers? Councilmember Yukimura.

Councilmember Yukimura: Good morning, Steve.

STEVEN A. HUNT, Real Property Tax Manager: Good morning.

Councilmember Yukimura: Happy New Year. In my opinion, there are many problems with the proposed Bill, and I believe the Administration has an alternative to suggest. Do you?

Mr. Hunt: The Administration has been working on what we believe might be an alternative solution if the problem is stability of taxes and predictability of taxes. That would be rather than a tax cap, it would be an assessment cap.

Councilmember Yukimura: Can you explain how that would work?

Mr. Hunt: Sure. Under a tax cap, the actual taxes are capped year over year. When you have a change, up or down, and you need to generate revenue, right now, you have the authority to change the tax rates. Under a tax cap, changing the tax rates may not impact the taxes from these groups of properties that are in the cap. For instance, if you had Capital Improvement Project (CIP) or additional debt service related to CIP or an unexpected lawsuit or an environmental hazard or something that occurred that was beyond the Consumer Price Index for All Urban Consumers (CPI-U) of Honolulu, which is the current proposed cap, these groups of individuals under the cap, would not be participating in that expense and all other taxpayers would have to bear that expense. So, that is one of the challenges with a cap. Under a capped assessment, what you are doing is you are limiting the net taxable amount. If the market value increases twenty percent (20%) but you have a three percent (3%) or four percent (4%) cap on the assessment, the year over year increase can only go up by that three percent (3%) or four percent (4%) as prescribed. Then, the tax rate still has a meaningful impact when you are actually setting the rates, which also helps on the calculation going into budget because we will know what the net taxable is even with the capped amounts, whereas under the cap tax system, we will not be able to do that because we actually have to know the rates, we have to know which properties are capped, and also what changes occurred within that property in terms of tax class, or additional improvements, or subdivisions; those kinds of things. It is very difficult to calculate without running the full tax calculation, which we do not typically do until tax rates are set in June. That is usually when we run those calculations. So, it just makes budgeting a little bit of a guestimate when we go in under a tax cap system. But under an assessment cap, we will be able to actually tell you what those taxes would be.

Councilmember Yukimura: There is also a problem with the tax cap in that when the assessed values go down, then there is an increase in the...or maybe you can help me.

Mr. Hunt: Sure. Because it is no longer tied to value necessarily, you could have a property that increases year over year but actually to the point where it has a decrease from one year to the next, but it is still well below the capped tax, the market taxes, based on the actual tax rate times the net taxable. So, you do have increases based on the cap because they are still below the prescribed the market taxes. Now, one of the other challenges is in a market where the market taxes get reset. For instance, in a down market say you bought close to the peak of the market, started your cap, and then get a major readjustment for a couple of years, as you try to climb out of that if the tax rates are not adjusted during that period, that cap starts kicking in. For instance, if you had a tax bill that was capped close to the peak market at say one thousand dollars ($1,000) and then your market taxes drop to five hundred dollars ($500), you can only go up by the Consumer Price Index (CPI) from the five hundred dollars ($500). You can never recoup to the one thousand dollars ($1,000) that it started with when you were under the cap.

Councilmember Yukimura: So the fiscal implications to the County are pretty dramatic in that case?

Mr. Hunt: It can be. The tax cap is not very forgiving for market changes, at least in the down market. It is also not very forgiving for judgment errors by appraisers. If they happen to make a mistake in one year and they realize it and they correct it for the following year, the tax calculation was already done and the cap has already been reset. You cannot recoup that mistake. It is pretty serious in terms of financial impact when you reset to a lower amount.

Councilmember Yukimura: What are the fiscal implications of your proposal for a cap on assessment?

Mr. Hunt: I would say there really are none because the authority with the tax rates still lies with this body. If the four percent (4%) cap or three percent (3%) cap or whatever that capped amount of the assessment is, is lower than the CPI, you have the ability to change or raise the tax rates if you have unexpected costs that you want this group to participate in and want all groups to participate in. I think it is very transparent that way because you are saying "here is your three percent (3%) or four percent (4%) cap on your taxes" essentially, because if you do not change the tax rates and that cap kicks in, it is proportional. But if the cost of government rises more than that cap, you still have the authority to adjust that and the rate, and you have a great explanation why. Here are the reasons. Here are the costs that are borne by the County that need to be covered and we are going to have all groups pay for that proportionately.

Councilmember Yukimura: One of the problems with the tax cap, as proposed, is it could affect our bond rating, could it not?

Mr. Hunt: It could.

Councilmember Yukimura: With the cap on assessment, that is not as likely because you still have the flexibility of the tax rates?

Mr. Hunt: Right. Under and assessment cap, you are not limiting the amount of taxes you can derive because you still have control of the rates. The difference with an assessment cap and a tax cap is the rates are no longer meaningful under a tax cap, but they still are under an assessment cap.

Councilmember Yukimura: But the assessment cap still gives you more stability and predictability because it protects you against the really wild...

Mr. Hunt: Spikes.

Councilmember Yukimura: ...high increases.

Mr. Hunt: Correct. It takes out the spikes and the valleys in that. I think my father once said "The real estate market is like a man walking up a hill with a yo-yo." You have all this...eventually it just goes up and up, but it is more gradual. But you are going to have years where you have spikes and other years where you have drops. Overall on a long-term basis, it continues to rise at a more gradual level, and this would take out the spikes.

Councilmember Yukimura: Okay. Thank you.

Committee Chair Kaneshiro: Councilmember Kuali'i.

Councilmember Kuali'i: Good morning, Steve.

Mr. Hunt: Good morning.

Councilmember Kuali'i: Happy New Year. I appreciate some of the answers to Councilmember Yukimura's questions. This Council or the previous Council or prior Councils from 2011 to 2012, reduced the Homestead rate from four dollars ($4) to three dollars and five cents ($3.05), and then it has remained at that rate for the last four (4) or five (5) years, correct? In that same time, was anything done on the other side as far as exemptions to deal with one of the issues of longtime owners who have been staying in their house for a long time, a house nearby sells for such a high value, then it really jumps their assessed value up, and then they have to pay so much more taxes? What was done on the opposite side for exemptions?

Mr. Hunt: Sure. There were some relief measures, most notably the exemptions were increased substantially and there were also some income. I think the former circuit breaker program has been sort of migrated into three (3) programs now. One is an exemption. If you are making less than eighty percent (80%) of the median household income, you are eligible for an exemption of one hundred twenty thousand dollars ($120,000) in addition to your primary home use exemption. On top of that, they also have two (2) additional income-based relief measures. One is the very low income tax credit, which if you are making fifty percent (50%) or less of the median income, you pay in lieu of property tax, a three percent (3%) of your gross income. So that really gets you to your affordability/ability to pay as opposed to based on the market value of the properties. The third one is the home preservation limit, which is for people who have resided on their property for ten (10) years or more, are eligible for the Homestead tax class. Again, I think this one, the income is set at one hundred thousand dollars ($100,000), but it is titleholders that we are not having the one who is making the lease live in the property and then the one who can afford to pay not contributing. So with this one, we base on titleholders and that is set at one hundred thousand dollars ($100,000) gross income for all titleholders. Again, same thing, they pay three percent (3%) of their gross income.

Councilmember Kuali'i: Of those three (3) different opportunities, if you will, to deal with that issue, the Homestead preservation limit, I think that is the one that people maybe know less about.

Mr. Hunt: Correct.

Councilmember Kuali'i: That is directly to deal with that. If you will, I think at one time I thought of it as a longevity exemption.

Mr. Hunt: It really was built around properties for high value.

Councilmember Kuali'i: Oh, for high value?

Mr. Hunt: Where we needed to insulate that. The net taxable from the prior year assessment had to be seven hundred fifty thousand dollars ($750,000) or more. It really was the ones that are being priced out of their neighborhoods because they live in desirable areas where the market values have been increasing rapidly and they just do not have the means to keep up with the taxes.

Councilmember Kuali'i: Okay. Then the only other question, I think the last time you were here you had mentioned that if we were looking at a cap, it would be better to look at a cap not on the overall tax amount that we end up with, but on the assessment value change.

Mr. Hunt: Correct.

Councilmember Kuali'i: And that it should also include not just a ceiling cap, but a floor cap; something on the high-end and the low-end.

Mr. Hunt: I believe...

Councilmember Kuali'i: Can you explain that a little bit further?

Mr. Hunt: Sure. I believe the issue that we have with resetting the taxes low and being able to climb out slow would be the same if you allowed the market value to float way down in any given year, it would be very difficult to climb out. We are talking about taking the spikes out, but we are also now talking about taking the valleys out. So, you could have an inversion year where your assessed value actually exceeds your market value, and that is basically a gradual step down. So you are not recognizing if it is twenty percent (20%) depreciation in one (1) year, you are not recognizing that full twenty percent (20%). That sort of keeps the tax rates at a more stable level...

Councilmember Kuali'i: Understood.

Mr. Hunt: ...so you are not having to constantly have volatile tax rates so people can predict what their taxes will be as well.

Councilmember Kuali'i: The only other thing then is, in the past when there was a cap, it was a percentage. I do not know if it was two percent (2%) or three percent (3%). In this new look at a cap, it is tied to CPI, and CPI can vary from year to year.

Mr. Hunt: Yes.

Councilmember Kuali'i: What do you say about that? What is the position on it?

Mr. Hunt: I guess from an assessment standpoint, the CPI-U actually in some ways can be negative.

Councilmember Kuali'i: Yes.

Mr. Hunt: If we are looking at a range of what the cap can be, are we going to have a negative cap? I mean, I do not know how you would implement it. It almost has to be the absolute value in order to actually have a cap. CPI may or may not be the measure of our cost of government too. That is the only other concern. I think having a predictable amount, and I do not know if it is just arbitrary, but it seems three percent (3%) to four percent (4%), up and down, would seem to be a reasonable range and that would take gradual because the market tends to move in about seven (7) or eight (8) year cycles and when it goes up and down. Having that period of seven (7) or eight (8) years that are up and seven (7) or eight (8) years down at a three percent (3%) or four percent (4%) will not have a huge impact for that period of which it is capped. I think it will also help for those new homeowners that are buying in, depending on when they buy in, to blend in because as properties are going up, they are sort of held at the same percentage.

Councilmember Kuali'i: Just to add information on that, from 2010 to now it was 2010, two point one percent (2.1%); 2011, three point seven percent (3.7%); 2012, two point four percent (2.4%); 2013, one point eight percent (1.8%); 2014, one point four percent (1.4%); and 2015 at the first half of the year, it is at point seven percent (0.7%).

Mr. Hunt: Right.

Councilmember Kuali'i: So, it does vary.

Mr. Hunt: It does vary and hearing those numbers too in relative terms to our collective bargaining agreements, I do not hear one point four percent (1.4%) increases either. So, we have to consider what the actual cost of our obligations are too.

Councilmember Kuali'i: Thank you.

Committee Chair Kaneshiro: Councilmember Chock.

Councilmember Chock: Thank you. Hawai'i Island utilizes an assessed tax cap.

Mr. Hunt: They enacted that, I believe, in 2009.

Councilmember Chock: At what percentage are they?

Mr. Hunt: I believe they are at three percent (3%).

Councilmember Chock: At three percent (3%). Do we have any information on how that is progressing?

Mr. Hunt: Well, we have a copy of their Bill and Ordinance. I have spoken to the Tax Administrator there. There are some challenges with all caps. I think the biggest challenge that we would also face that they face is how to treat what we call the "non-capped" portion of the property, which would be improvements.

Councilmember Chock: Right.

Mr. Hunt: So you start with a certain physical characteristic, but then you do an addition. That portion gets market for that year and then gets blended into the total property going forward. There are some technical challenges in how we compare prior year to the current year, whether it is cost to cost and seeing what that is, and that becomes the non-Permanent Home Use (PHU) portion that gets added to your three percent (3%) or four percent (4%) increase plus the non-capped portion, and then the whole thing gets recapped. So there is nothing that is really clean about it because properties just do not stay the same over time, but those are things we can work through.

Councilmember Chock: Is there any indication that administratively, running the assessed tax cap is more efficient for them financially or is it more difficult?

Mr. Hunt: Financially again, you are still preserving the rights to set the rate. Really, there should be no impact of a tax cap because you hold the rate setting.

Councilmember Chock: Right.

Mr. Hunt: Obviously if values are going up, maybe Council should be lowering the rate because they do not need the excess revenue. I mean, that is the other flip side of this. By having an assessment cap, that still affords you the ability to determine the percentage of taxes of revenue that are supposed to come from each tax class, which I think is actually in Section 5A6.3(c) of the Ordinance. It says, "Council shall set the revenue and determine the revenue." Under a tax cap, I do not think you would be able to do that because you can determine the rate, but until you actually run the numbers, you are not going to know how much revenue is generated. So your percentage revenue may be different from what you had envisioned when you set that rate.

Councilmember Chock: Hawai'i Island does not have a floor?

Mr. Hunt: No. Hawai'i Island does not have a floor.

Councilmember Chock: Okay. Just so I am clear on the direction that this conversation is moving and in trying to figure out how we want to move on this current Bill is that assessed tax cap accomplishes the same outcome as the proposed bill, but moves us sort of incrementally...still sort of *ad valorem* with the market values, but at a more controlled rate. Is that correct?

Mr. Hunt: What it does is it allows the assessors to do their job in a pure sense and determine the market value, but it does not recognize the full market value in any given year where these floors or ceilings kick in.

Councilmember Chock: Okay. The cap came off in order to address inequities. So that correction has been made at a cost to people.

Mr. Hunt: Yes.

Councilmember Chock: All at once. If we move towards an assessed tax cap and this variable over time, will we have to once again come back and look at a correction?

Mr. Hunt: It is difficult to say. I believe under what our proposal would be, is the market value or the assessed value would be reset upon sale. So there are going to be corrections when new owners come in. New owners participate in the Homestead or under the Long-Term Affordable Rental or in Commercialized Home Use if there is an exemption there. As these two (2) categories, the Homestead and Commercialized Home Use turnover, there will be resets. So those people buying in, it depends if they are buying in on a peak market or they are buying in at the trough of the market and subject to those percentage increases. But I think over time, it probably will be self-correcting because those are going up and down, but at gradual amounts.

Councilmember Chock: I see. Last thing. I did have a chance to meet with Steve and I just wanted to say that you had some good bullet points that you shared with me. Since we got this on the table, if you wanted to have it dispersed amongst Councilmembers. It is not in the current Bill. It is on what might be either an amendment or a new bill that would support what Councilmember Hooser is trying to accomplish.

Mr. Hunt: That is, I guess, a technical question that I would probably rely on the County Attorney for as to whether this is substantially different from the current Bill. If it has to be introduced as a floor amendment, then we would continue to work on that. But if it has to be a new bill because it is substantially different in topic of nature, then we would probably proceed that way. I would rely on the County Attorney for advice as to whether we can even discuss something that is not on the table today.

Councilmember Yukimura: It is an alternative.

Committee Chair Kaneshiro: Mauna Kea, could you would come up? I think what we are basically trying to see the current Bill calls for a Homestead tax cap and what we may be looking at is Homestead and Long-Term Affordable Rental Assessment cap. Is that a big enough difference that we either can amend it or do we have to do a new bill?

MAUNA KEA TRASK, County Attorney: Thank you. *Aloha* Committee Chair and Honorable Members of the Council. For the record, Mauna Kea Trask, County Attorney. If I may have one moment?

Councilmember Hooser: Chair, just a follow-up while the Attorney is thinking. If this is the direction that the Committee wants to go in, another kind of blended option might be a floor amendment and then another public hearing. I do not know if that would satisfy it. I just wanted to make sure the County Attorney heard that suggestion as a possible way to keep things moving rather than have this extended delay while we wait a long time since we have already had a lot of discussion. That was just a suggestion. Thank you.

Mr. Trask: Thank you. As you all know, the Department of Finance through the Director, has the authority to collect taxes and you have the legislative authority, plenary authority, to set Real Property Tax. Under Article IV Section 4.02 of the County Charter, this is Subsection (C), "No bill shall be so amended as to change its original purpose. Every bill, as amended, shall be in writing before final passage." I spoke with Steve about this question before and really relied on his expertise and the Department of Finance's expertise regarding this. I acknowledge that I am a lawyer, but I also acknowledge that they are the Finance people. In looking at this and the parameters, I think it will be okay. I do not think it is a substantial change. What it is, is the collection of money, basically. In relying on Steve's interpretation and generally what he explained to you right now, I think I am comfortable moving forward without having to restart the clock. But of course, the decision is yours if you want to defer or whatever.

Committee Chair Kaneshiro: Councilmember Yukimura.

Councilmember Yukimura: Yes. Given the County Attorney's opinion and also a point made by Councilmember Hooser, I think it might be good to propose the amendment and then have another public hearing so the public can be involved in input on this. I think it is in the same direction. The amendment is in the same direction as the original Bill, but I think it would be good to have the public's input and to give them a chance to have input because it is not exactly the same. It protects against radical increases, but it still allows some increases. Then if the public is concerned about the other public purpose of having enough revenues and not affecting our bond rating, that is also an issue too, or a difference between the two. So, it would be good to air it in the public.

Committee Chair Kaneshiro: Council Chair Rapozo.

Council Chair Rapozo: I would agree that at the minimum we have to do a public hearing. I do not want to see this start all over either, but it is a change. It is a change in the title. It is a change in the purpose. I trust the County Attorney's opinion today off the cuff or maybe he has put some thought into it, but I would ask that he seriously look at it, and in the meantime, we move on. This is just my suggestion; that we move on with a public hearing because I agree with Councilmember Hooser. I hate to see this be killed and start all over, but I also want to make sure we are in compliance with the Charter because it is a change. To me, it is a substantial change. When we look at whether it is a change or not, it is not just about collecting taxes, no, because somebody is going to be impacted differently by an assessment cap versus a tax cap, significantly. I would ask Mauna Kea to come up with a formal opinion, but in the meantime, we move forward with the direction as suggested by Councilmember Hooser because I too, do not want to see this delayed.

Committee Chair Kaneshiro: For me, I just want to move not the quickest way possible, but the most efficient way possible rather than having to redo the whole thing. I know there may be some other changes. It is not just changing the word "tax cap" to "assessment cap." There may be further changes to the Bill itself and the language, but I do not want to have to restart all over again. I am willing to go whatever route the Councilmembers want. I just want to move in an efficient manner rather than having to go back. Councilmember Hooser.

(Councilmember Kagawa was noted as present.)

Councilmember Hooser: Yes, follow-up on our conversation, if I could? I want to thank Mr. Hunt for giving this the thought that it deserves. The proposal that he is suggesting does, in fact, move forward in the same direction that I intended when I introduced the cap, and that is to avoid big swings and big jumps in people's taxes. So effectively, it will cap increases. I appreciate the thought that you put into it. I sincerely do. Sometimes that is the purpose of these things that we do, is to force the discussion otherwise it does not happen. Thank you for that. I do have some questions.

Mr. Hunt: Sure.

Councilmember Hooser: I have not seen any proposed language. I guess we are going to be seeing that. Should we assume this also would apply only to Homestead exemption and the Long-Term Affordable Rental program as in the proposed Bill?

Mr. Hunt: Correct. We are talking about two (2) property classes, the Homestead, which is a combination of owner-occupants, as well as the Long-Term Affordable Rentals that are participating in that class, as well as the Commercialized Home Use where there is income being produced, but an owner-occupant lives on the property with an exemption.

Councilmember Hooser: Okay. Thank you. Again, Hawai'i County has this in place right now?

Mr. Hunt: They do for their owner-occupant class, yes.

Councilmember Hooser: Okay. That has been in place for how long?

Mr. Hunt: I believe since 2009.

Councilmember Hooser: Okay, and there is no floor to that though?

Mr. Hunt: No. No floor.

Councilmember Hooser: Okay. Yes, that is an area that I have to think more about, the floor part also. Thank you. That is all I have for right now. Thank you.

Committee Chair Kaneshiro: Council Chair Rapozo.

Council Chair Rapozo: Thank you. Steve, I had some questions. The first question, when was the last time the Honolulu CPI had a negative value?

Mr. Hunt: I do not know offhand.

Council Chair Rapozo: I do not think we have seen one. I know that was tossed around. That does not happen.

Mr. Hunt: I believe it has happened. I just have to go back.

Council Chair Rapozo: You do not remember when?

Mr. Hunt: I do not remember the year.

Council Chair Rapozo: I know it has not since my recollection.

Mr. Hunt: Okay.

Council Chair Rapozo: I have been around a little while. The other question is, Councilmember Yukimura talked about the possibility of a property value going down or an assessment going down, but their tax rate going up with the cap. Can you explain that? You gave an explanation, but I did not follow that.

Mr. Hunt: Sure. Say that your taxes were based on an assessed value of four hundred thousand dollars ($400,000) and at three dollars ($3), just say for round numbers, that is one thousand two hundred dollars ($1,200) in taxes. That is your net taxes. That property goes up over years to six hundred thousand dollars ($600,000) maybe seven hundred thousand dollars ($700,000). So your market taxes now assuming the rate is still three dollars ($3), went from one thousand two hundred dollars ($1,200) to two thousand one hundred dollars ($2,100).

Council Chair Rapozo: Without the cap?

Mr. Hunt: Without the cap, right. But your cap taxes have only been increasing that the CPI. Again, let us say it is three percent (3%). So your one thousand two hundred dollars ($1,200) plus other thirty-six dollars ($36), so one thousand two hundred thirty-six dollars ($1,236) and then so on. When that market turns from say seven hundred thousand dollars ($700,000) back to five hundred thousand dollars ($500,000), you actually had a two hundred dollars ($200,000) decrease in value.

Council Chair Rapozo: Right.

Mr. Hunt: But your taxes, which were based on the four hundred thousand dollars ($400,000) which we are essentially capping, may still be below what the five hundred thousand dollars ($500,000) at three dollars ($3). So, one thousand five hundred dollars ($1,500) in taxes. You may only be up to one thousand four hundred dollars ($1,400) in taxes by the third year, say. So your capped tax at one thousand four hundred dollars ($1,400) even though your value went down from seven hundred thousand dollars ($700,000) to five hundred thousand dollars ($500,000) in the year is still below the market tax in that year. So people, they will see their assessment going and ask, "oh, my market value is here, it went down this year. How come my taxes did not go down?" Well, because your taxes were capped based on a much smaller amount.

Council Chair Rapozo: Oh, yes. Well, I mean, I guess I do not know how anyone would argue or complain about that because they had saved thousands and thousands of dollars.

Mr. Hunt: Believe me, they still do because there is an anticipation when the market value changes that there is a reduction in taxes.

Council Chair Rapozo: Okay. Thank you.

Committee Chair Kaneshiro: Councilmember Chock.

Councilmember Chock: My questions are around the timing of the proposed changes. It was not clear to me in the current Bill when that would go into effect, which year it affects, and I would like to hear what that means for us in the proposed amendment.

Mr. Hunt: Under the current Bill No. 2606, in discussions with Tyler Technologies, I actually do not think it is feasible even for the 2016 bills, which will come out July 20th due August 20th of 2016. I do not know that we will be able to make those substantial enhancements to the system to do a tax cap. If we are to enact an assessment cap, obviously we have already sent out the sixteen (16) notices. So, that would be the basis pending any appeals or reductions that happened through the course of the year before the certified roll or after the appeal hearings as the case may be. Those have become the basis for the 2017 value cap if we decided to do that route.

Councilmember Chock: Okay. Thank you.

Committee Chair Kaneshiro: Councilmember Yukimura.

Councilmember Yukimura: I want to come back to the issue of whether we need a new Bill or not? Something the Chair said did trigger in my mind the rule we have always followed, which is the amendments cannot be contrary to the title of the Bill. The title talks about a Homestead tax cap rather than assessment cap. I am back to wondering whether in fact, legally, we can amend this Bill? Also, I do not think we can just...if we are going a public hearing, we need to amend the Bill so people know what the new modified Bill is looking like. We would have to put in the new amendments before we go to public hearing. At this point, I am thinking that we should maybe just, I do not know. We can postpone indefinitely, put this Bill on the table, then introduce a new bill, and start that process, which should not take too much longer than an amendment process because we are going to put the public hearing in anyway.

Committee Chair Kaneshiro: The more I thought about it, I think it may be more efficient to actually just do a new bill because it is going to be cleaner. We will not get into that issue of are we able to change the title? If we change the title, is that a significant change? If we are going to go through a public hearing, all we are talking about is a first reading with a clean bill that everybody is going to know what we are working on, a public hearing, and then our Committee Meeting. Councilmember Hooser.

Councilmember Hooser: While I could argue the point whether or not we need a new bill or not, again, if that is the will of the Committee, I would like to offer to work with the Finance Director and put that bill together and reintroduce it as the original introducer of the Bill that is before us.

Councilmember Yukimura: Fine.

Councilmember Hooser: If that is okay.

Committee Chair Kaneshiro: Yes.

Councilmember Hooser: Okay.

Committee Chair Kaneshiro: Council Chair Rapozo.

Council Chair Rapozo: I am assuming, Steve, you have language proposed or suggested language for the change to assessment cap?

Mr. Hunt: I have a draft. I would like to vet it a little bit more, but I wanted to have something as a starting block and then also get some direction from this body as to whether it was going to be a CPI, a flat percentage, whether the floor was going to be palatable, all of the things that I think would be germane to the bell.

Council Chair Rapozo: I guess my question is how long do you need because I want to see this. Maybe asking for this to be introduced as a new Bill next week may be pushing it because we have to post by tomorrow, but I also do not want to see this thing drag on beyond in all fairness because I think we want to make sure that we vet all of these things and get it passed so that it can be implemented. Maybe by tomorrow at 4:30 p.m. might be...that is not feasible. But I am willing for this situation, because I think it is that important, that if we can get it done by next week Thursday, the draft.

Mr. Hunt: Again, I would have to ask the Administration too as to what their there is. If the draft can be amended or have floor amendments and we have something that we can post just to have a starting block, that might be okay. But if we actually want the final form and really thought through then...

Council Chair Rapozo: Obviously not the final form.

Mr. Hunt: Okay.

Council Chair Rapozo: It still has to come through this whole process, unless you want to share what else you are look at changing. I mean, that can be discussed today.

Mr. Hunt: I think the biggest thing I want to discuss is with our vendor that is going to have to implement this. What software restrictions might we have? What are the costs to do the programming to maybe change the programming language to accomplish what the Bill intends? To some degree, I want to know what I am getting into as far as an implementation standpoint.

Council Chair Rapozo: Is it different from the tax cap?

Mr. Hunt: It would be different from the tax cap. I would like to start with Big Island as sort of what is Big Island doing in theirs and how are they addressing changes to characteristics of buildings?

Council Chair Rapozo: I guess my question is with the current Bill how it was a tax cap versus assessment cap, would it have required working with the vendor to make changes?

Mr. Hunt: Massive.

Council Chair Rapozo: Okay. Regardless of what bill we have, that issue is going to have to be done anyway.

Mr. Hunt: Right.

Council Chair Rapozo: That is not something new with a new bill.

Mr. Hunt: No, but from an efficiency and a money savings standpoint, if we can...

Council Chair Rapozo: I understand.

Mr. Hunt: ...accomplish the same end game without having it too difficult to program.

Council Chair Rapozo: My concern is getting a draft bill out that meets your suggestions regarding appraisal versus tax. Is there anything else in this Bill that would you would not like to see or like to see different in the appraisal cap?

Mr. Hunt: In the current tax cap Bill?

Council Chair Rapozo: The assessment.

Mr. Hunt: Oh, the assessment cap?

Council Chair Rapozo: The proposed assessment cap you are suggesting. Anything else in the current Bill, besides that, besides going from a tax cap to appraisal cap? Is there anything else regarding CPI? Anything else in this Bill that you believe will be substantially different?

Mr. Hunt: I think I would prefer to have a flat percentage rather than a CPI.

Council Chair Rapozo: Okay.

Mr. Hunt: It is just a little simpler to implement.

Council Chair Rapozo: Okay. So that is the two (2) major changes.

Mr. Hunt: The floor, a ceiling, and a flat...

Council Chair Rapozo: You are thinking about putting a floor as well?

Mr. Hunt: I would be proposing a floor.

Council Chair Rapozo: Okay. Thank you.

Committee Chair Kaneshiro: Councilmember Yukimura.

Councilmember Yukimura: I do not think we should rush a complex bill. I do believe we want to keep the momentum moving forward. I think there is a further complication with the long-term affordable rental property because of that issue where it is just addressing eighty percent (80%) of median income. I mean, we have watch how much...when you give a huge incentive, then everybody wants in and it gets pretty complicated. So you have to really be clear about what policies you want to promote. There is that issue because separate from this Bill, we have been talking about some gradation of incentive to include the other levels of affordability. You cannot give all of those levels of affordability the same incentive because then everybody will go to the higher rent and leave behind the lower rents, the eighty percent (80%). I mean, I just want to point out that there is this issue that we need to think about. I think it is going to take some thought and back and forth to figure out that piece. Two (2) Thursdays. We do not have to have it for a Committee Meeting. We need it for a Council Meeting. Maybe spend January working on this and then for the first meeting in February or the first Council Meeting, try to have something ready. So you can see I am not trying to look for a long delay, but enough delay so that we have a good bill to start with and of course, there will be changes and more input, but thinking through some of these pieces might be important.

Committee Chair Kaneshiro: Yes, it is not going to be rushed. I mean, the bill is going to come through like any other bill. We are just asking that they put a precedent on it as far as getting it into the Chair as soon as possible. It is going to go through the same process that any other bill goes through. It is going to get scrutinized as any other bill goes through. It will be pretty much the same. Councilmember Hooser.

Councilmember Hooser: I mean in a sense we have been waiting a long time already. Property owners have been getting increased assessments and increased taxes and the purpose of this measure is to stop that. I do not want to see it personally and I do not think property owners want to see it go on for another year or even six (6) months. I think what we need is a credible vehicle and Hawai'i County has a law in place now that has been in place since 2007 or 2009.

Mr. Hunt: 2009.

Councilmember Hooser: Okay. It is been in place for a number of years and it has been either working or not working. So we have got a good model, I think, to look at and as a starting point for a vehicle. I think taking that model and having the County Tax Director look at it with my input and others involved who are involved, we could come up with a credible solid vehicle within a relatively short period of time. I would say within two (2) weeks if we really want to do this, then put it on the floor, go to public hearing, and move it forward. Like you said, Chair, this will go through the process. It is not cutting corners, but I think we need a solid vehicle and I think that is doable within two (2) weeks.

Committee Chair Kaneshiro: Councilmember...

Council Chair Rapozo: No. I will just say I will save it for discussion. I do not have any questions for him.

Committee Chair Kaneshiro: Councilmember Chock. Let us bring it back to questions. I think if we are going to go the route of preparing a new bill, then we are going to probably need to stop talking about the assessments and we will either stick to any further questions on clarifying what is in the current Bill and then we will probably have to defer this one, and move on. Councilmember Chock.

Councilmember Chock: Two (2) weeks ago when we had this discussion on the table, a beacon of light was shown to us by Mr. Hunt and so I asked for a meeting to consider this. We were able to meet. So my question is, what I would like to do is ensure that these bullet points do get circulated to the Councilmembers with the permission of Mr. Hunt now. I am happy to defer to the introducer to continue the process on getting the next amendment or the new bill for it. So, if that is okay, that what I would do.

Mr. Hunt: That is fine with me.

Councilmember Chock: Thank you.

Committee Chair Kaneshiro: Councilmember Kagawa.

Councilmember Kagawa: Steve, I just want to clarify some things about this cap. What year did we remove the original cap?

Mr. Hunt: The tax cap? I believe it was 2014.

Councilmember Kagawa: 2014? The first year we removed the cap, right away, the Council proposed a huge Band-Aid, right?

Mr. Hunt: Yes.

Councilmember Kagawa: It was two hundred fifty dollars ($250)...

Mr. Hunt: Tax increase.

Councilmember Kagawa: ...limit on any increase.

(Councilmember Chock was noted as not present.)

Councilmember Kagawa: So no increase beyond two hundred fifty dollars ($250) was allowed?

Mr. Hunt: Correct.

Councilmember Kagawa: And then this year, or last year, we let the taxes go?

Mr. Hunt: Correct.

Councilmember Kagawa: Basically. Now we are saying that we need a cap again. How long was that original cap on, in place?

Mr. Hunt: The cap began in 2004.

Councilmember Kagawa: The cap went on for ten (10) years, and there was a cap before that as well, right?

Mr. Hunt: No. There was a Permanent Home Use dedication program, which actually was a ten (10) year commitment where they would record against their property. I think it was a six percent (6%) maximum increase and that was an actual recorded program under a dedication. But prior to that, no, we did not have a cap before 2004.

Councilmember Kagawa: The cap from 2004, that lasted for ten (10) years.

Mr. Hunt: Yes.

Councilmember Kagawa: That limited any increase to two percent (2%)?

Mr. Hunt: Initially, the first year was six percent (6%), then it went to two percent (2%), and then I believe the final two (2) or three (3) years the cap was adjusted to the CPI-U.

(Councilmember Chock was noted as present.)

Councilmember Kagawa: So the cap was basically no higher no higher than six percent (6%) over your previous bill, the increase?

Mr. Hunt: Correct.

Councilmember Kagawa: After four (4) years, it became for the last six (6) years of that cap, it was no higher than two percent (2%) of your previous bill?

Mr. Hunt: I think the first year, 2004, was six percent (6%) and then 2005 was two percent (2%). I believe it was about 2009 or 2010 that they converted to the no higher than the CPI-U of Honolulu.

Councilmember Kagawa: Okay. So, in 2009 it changed to the CPI-U?

Mr. Hunt: Correct.

Councilmember Kagawa: Okay. I just wanted to clarify for the past history of having the cap. Thank you. Thank you, Chair.

Committee Chair Kaneshiro: Councilmember Kuali'i.

Councilmember Kuali'i: In a way based on some of the comments and the line of questioning here with Vice Chair Kagawa, you are not saying that Real Property Tax and the Administration is recommending that we do this type of cap? You are saying more along the lines of if you are going to do a cap, we do not want you to do this current version because it will create havoc and more problems than solutions in a sense.

Mr. Hunt: That would be a fair summation. I believe no cap is probably preferred, but that does not address what I would call the micro economies where maybe the overall appreciation is six percent (6%), but regional appreciation in certain properties is twenty percent (20%) in a year. So that does not solve the tax volatility, but it also does not allow for corrections in the market where maybe people were under assessed and you have a bunch of sales that address that. You bring them up to market so that there may be a twenty percent (20%) that was justified because it was a slow appreciation never recognized because of limited sales in the area. It still potentially could create some inequities. I think having a floor and ceiling over time will rectify that, but yet to be seen.

Councilmember Kuali'i: So considering the option of leaving things as-is, no cap, can you show based on some of these newer exemptions and this homestead preservation limit because obviously you are putting that in place to try and minimize the problem or the drastic changes and impacts on individual homeowners. Can you show the improvements or do you need more time for it to take effect? Has some of it just happened?

Mr. Hunt: Some of them are very new Ordinances, especially like the very low-income where we are really only in our second year on that now, but it has been a program that is being more widely used than before. What, I think, is great about that is it is very targeted. Just limiting taxes to property owners that could otherwise afford to pay them does not seem to be very fair because it really then is tying it to their date of ownership or what the taxes were and it penalizes potentially new homeowners coming in that may have less means, but the cap is just across all properties. I was always a proponent of the targeted relief and I certainly want to help those that need the help. I think part of the problem is just how to reach...there is not enough people that may be eligible that are applying. Despite direct mailers, despite Granicus and Ho'ike televising, despite print advertisement, and even going into community centers, we are still not reaching everyone that could benefit, and that is just the challenge.

Councilmember Kuali'i: Yes. The other thing is that, I think and I would like your help with this because I have done some analysis in broad total terms, like on what the tax rate was for the last four (4) or five (5) years and then what the tax revenue was by class like Homestead and Single-Family/Residential. The new third one you are saying that is added is Commercialized Home Use. But that new rate of five dollars and five cent ($5.05) only started in 2015.

Mr. Hunt: Correct.

Councilmember Kuali'i: Now we are going to get information on that for last year coming up?

Mr. Hunt: Right. When we had the combination of removing the cap in 2014 and properties that we are being used alternatively, especially with vacation rentals because of the tax rate increase to that category, the newly created category, it was a double effect. It was sort of being released to market value and you are getting a higher rate. There were some tremendous swings and taxes for those properties. Commercialized Home Use, I think, did quell a lot of those problems that came up. I think many of the people that testified before you after the removal of the cap were in those Residential/Vacation Rental class properties that had multiple uses and they were the ones that got penalized by the double rate and unleashing the tax cap. I think that has helped. Now, there still are concerns that have been expressed in some of the prior public hearings about the volatility of market value, and I think again, an assessment cap would take out some of that concern.

Councilmember Kuali'i: Yes. Part of the help in putting this together is there is the two (2) ways to look at it; the whole picture and then the pieces of individuals impacted and how we minimize that.

Mr. Hunt: Right.

Councilmember Kuali'i: Because clearly you also control the net taxable value and then the revenue by classes. So, the percentage and everything. I think when the Council looks at the big picture come time for setting the property tax rates, we can make fine-tuned adjustments with the rate based on the whole big picture. But now we are looking at the individuals impacted and how we minimize that. No system probably can make it perfect for everybody, but it helps. The only other thing is that in addition to all of these newer exemptions like this home preservation and what have you, what can people file a tax appeal based on?

Mr. Hunt: They can file an appeal based on assessed value. So, if they believe that their assessed value is greater than fifteen percent (15%) above the market value, then they can file an appeal. Of course the burden is for them to show with either comparables or other information that they are over assessed and prove what the market value is. They can also appeal on denial of an exemption. Of course they have to have met all requirements including filing. We get a lot of filings that missed the filing deadline and come in, and check off denial of an exemption, but if you missed the filing deadline, that was one (1) of the requirements. They can file on illegal or I think unconstitutional, which is more Federal and those typically are filed in Tax Court whether the County of Kaua'i even has the authority to charge property taxes. That is a Constitutional filing. You can also file on tax class. If you believe your tax class is misstated, you can file to have that amended and provide evidence. Primarily, we are getting a lot of Vacation Rentals or former Vacation Rentals that were sold and not being used as Vacation Rentals that are now long-term or owner-occupants that will come and file for change of use class.

Councilmember Kuali'i: Based on appeals that happen year to year, has the County worked to minimize that the next year?

Mr. Hunt: Well...

Councilmember Kuali'i: Like if somebody is missing the tax deadline, right. I mean, that is obviously something that can be fixed pretty easily. They just need to make the deadline the next year.

Mr. Hunt: For the following year. Yes. So, people who apply late...

Councilmember Kuali'i: If they qualify.

Mr. Hunt: ...we roll them into the next year automatically and if they are applying for a home exemption and they applied in December and the deadline was September 30^{th}, then we are going to get them for the 2017 year. They do not need to reapply. We roll those applications into the next year.

Councilmember Kuali'i: Because in general, I think if we play a bigger role as we can as resources allow in having more people take advantage of the exemptions that they are entitled to, then the problem areas become smaller.

Mr. Hunt: Right.

Councilmember Kuali'i: Because you have these programs in place, but we need to make they are being used, how it is impacting, and how it is helping.

Mr. Hunt: On the value appeal, actually, I would consider myself doing a poor job if we had zero (0) appeals. That means we are probably well under assessing the properties.

Councilmember Kuali'i: Right.

Mr. Hunt: Therefore, there should be a certain amount of people that are appealing. I think typically it is about three percent (3%), maybe two percent (2%) of the properties that appeal. We just realized that when you are doing mass appraising and you are shooting for one hundred percent (100%) market value just on a standardized bell curve, there is going to be a certain number of people outside. Obviously on the low side, we do not hear from the ones that are probably under assessed, but the ones that are over assessed, we hear from. We try to hear their reasons. Sometimes we have to make adjustments. It could be overbuilt for the neighborhood. It could be an issue where we were not aware. They had a view and now the vegetation has grown. It is not on their property so they cannot cut it. They have lost their view. Things like that that occur over time that we have to continually review properties for their value.

Councilmember Kuali'i: The last thing, for real. How early, and I should know this, but how early in this new year will we know what the new assessed values are and how that will impact the forecasted real property tax revenues for this next year?

Mr. Hunt: We are hoping to complete our certified roll February 20th. Although appeals have closed, we are still getting postmarked appeals that met the December 31st filing deadline. We are still reviewing those. We have what we call a "reprint period." So based on the information that is submitted in the appeal itself, we believe the assessment is incorrect. Rather than go through the formal appeal process, we just do reprints and correct that in advance. Those that we feel are appeals that we need to handle because we believe strongly in the value, those get lodged as appeals. We have to process the funding and log those onto our roll for the certification.

Councilmember Kuali'i: Thank you.

Committee Chair Kaneshiro: Councilmember Hooser.

Councilmember Hooser: Just a couple of questions.

Mr. Hunt: Sure.

Councilmember Hooser: The issue of exemptions came up and we have a long menu of exemptions.

Mr. Hunt: We do.

Councilmember Hooser: Too long in my opinion. But to be clear, the purpose of this again, the original Bill and I believe the proposed amended one, is to stop widespread swings and sudden unexpected swings in property values. If a couple, husband and wife, small family, both working, living wherever and they have a home that is worth four hundred fifty thousand dollars ($450,000), their taxed at a certain level and get their homeowner's exemption. Then, the house next door, which is roughly the same size house and same lot size, sells for one million dollars ($1,000,000), it is likely that their assessment will double the following year when it is reassessed. Is that an accurate statement?

Mr. Hunt: To the degree that is the market.

Councilmember Hooser: Yes.

Mr. Hunt: I mean, if it is one million dollars ($1,000,000) sale and we have a whole bunch of five hundred thousand dollars ($500,000) sales in the same neighborhood, we are going to look at that million and say, "Why did they pay so much for this?"

Councilmember Hooser: Right.

Mr. Hunt: But if you have a couple of million dollar sales or competing neighborhoods and that becomes the market, that is correct. You would go from an assessment of four hundred fifty thousand dollars ($450,000) from the prior year to one million dollars ($1,000,000) if that is the market.

Councilmember Hooser: Right, and that family could appeal, but that is the market, and have to pay the increased tax period. So, their taxes could conceivably double in that period?

Mr. Hunt: Right.

Councilmember Hooser: And there is nothing they did differently. It is the same house, it is the same everything, and same income.

Mr. Hunt: That is correct.

Councilmember Hooser: I think that is the heart of what we are trying to deal with here, and I think that the assessment cap, I am increasingly think it is a good idea. I have to learn a little bit more about it. The math, I mean, the three percent (3%) of one million dollars ($1,000,000) and three percent (3%) increase of a tax are not necessarily the same in terms of the impacts as they go up. I would like to see the dynamics of that math as we go forward. But I just want to make it clear, and thank you for answering the question that regardless of exemptions in many cases through no fault of the homeowner, their property taxes can be increased dramatically, primarily as a result of somebody coming in their neighborhood.

Mr. Hunt: Right, but I want to be clear. Their assessments can be increased dramatically. Property taxes are a function of value and rates. If it is an islandwide increase of this kind of magnitude, clearly you can adjust the rates if you do not want to see that kind of increase in taxes.

Councilmember Hooser: We can increase the rates to the...

Mr. Hunt: Decrease the rates.

Councilmember Hooser: ...body, to the entire body of property owners.

Mr. Hunt: That is correct.

Councilmember Hooser: We cannot target that one (1) property owner and lower their rates?

Mr. Hunt: Correct. That is where the regional issue comes in where if a certain segment of the market is outperforming and you have new sales that justify a substantial increase in one (1) area, they are subject to that.

Councilmember Hooser: But we do not differentiate when we are...

Mr. Hunt: No we do not.

Councilmember Hooser: Right.

Mr. Hunt: Right.

Councilmember Hooser: The only one that has been proposed anyway to offer protection to these homeowners is a cap of some sort, either a cap on the actual tax, which I proposed, or this assessment cap that you have suggested?

Mr. Hunt: Correct.

Councilmember Hooser: Okay. Thank you.

Committee Chair Kaneshiro: Any further questions for the Administration? If not, I am going to suspend the rules and I am going to open it up for public testimony. The public testimony is on the tax cap. Do we have anyone signed up?

ALLISON S. ARAKAKI, Council Services Assistant I: We have one (1) registered speaker, Glenn Mickens.

GLENN MICKENS: Thank you, Committee Chair Kaneshiro. For the record, Glenn Mickens. With your permission, I have Walter Lewis' testimony here. I would like to read for the viewing public. I think you folks have a copy of it. Before I start, I want to say I have tremendous respect for my friend Walter Lewis, the same as I do for Steve Hunt. I do totally agree with Councilmember Hooser, with his Bill No. 2606 to have a cap on our property tax. It did work with Proposition 13 in California and I believe it was working with our previous cap. I hope an equitable solution can be found with all participants especially property owners. Yes, Councilmember Hooser. I am using your name personally and complimenting you since it is your Bill. I believe I should have the right to address you or any member of the Council positively or negatively if it is their bill or their prediction.

This is Walter's testimony. I hope you get together with it. When using best practices, County government has an elected legislative branch, often called the "Council," which makes policy determinations through Ordinances and programs. An Executive Branch headed by a Mayor or a Manager, which carries out the laws and programs in considering policy issues the Council may seek information and assistance from the applicable operating Departments on Kaua'i. The Mayor has frequently sought a more active role. The County needs revenues to meet its operating costs. Arising from the Home Rule of the 1978 State Constitutional Convention, the County obtained the authority to run the real property tax function previously controlled by the State. This tax now provides most of the County revenues. When the County tax regime began, all classes of taxpayers paid at the same rate. Over the years after obtaining the authority, the Council made policy determinations to reduce the burden of property tax on properties owned and occupied by residents. In the course of exercising its policy discretion, the Council created the Homestead class of taxpayer, decreased rates applicable to this class, and augmented exemptions. In 2005 in response to a Charter Amendment, capping resident owner taxes which the County contested, the Council adopted a similar resident owner tax cap. In the post 2005 period while there have been some variations, although resident owner property constituted thirty-five plus percent (35+%) of the total assessed values. Resident owners paid only about ten percent (10%) of the total property tax revenues. The power of the Council to make reasonable allocations of the impact of property taxes among taxpayers is unchallenged. One of the policy issues in making such allocations is whether to use a tax limit as to some taxpayers or whether to achieve a desirable allocation by using annual valuations...

Committee Chair Kaneshiro: Mr. Mickens, your time is up.

Mr. Mickens: Okay.

Committee Chair Kaneshiro: You can have another three (3) minutes after others testify.

Mr. Mickens: Thank you Committee Chair Kaneshiro.

Committee Chair Kaneshiro: Anyone else wishing to testify on this matter for the first time?

KEN TAYLOR: Chair and members of Council, my name is Ken Taylor. Actually, I have a question that I would like clarification and resolution on. I understand you are going to make some changes to this Bill. Is the Bill going to get rewritten or is it going to just get some changes made to it? That is one question. The other was in reference on page 2, B. It talks about if the property receives a Homestead tax cap subsequently increases in assessed value due solely to actions of the owner in changing within the property itself such as limits to change, change in the agricultural use. This is a little confusing to me because it is my understanding that agricultural land, under normal circumstances, cannot have multiple family units or be used as Bed & Breakfast. Can you clarify that for me, please?

Committee Chair Kaneshiro: Sorry. Ken, your testimony is still going on. We usually let you do the testimony and we will try and clear it up in discussion if anything.

Mr. Taylor: I am sorry.

Committee Chair Kaneshiro: We are not going to answer your question during your public testimony, but hopefully someone will try to clear it up in the discussion. Right now it is just your time for public testimony.

Mr. Taylor: I will waive my rights. I am sorry. I will waive my rights to many concerns of embarrassment or anything. You are just clarifying the Bill that is on the floor. I would appreciate...

Committee Chair Kaneshiro: Your public testimony is still going on.

Mr. Taylor: The testimony is in reference to clarification of the Bill that is on the floor. Whether I sit down...would you please resolve this problem in a public manner? There are others in the community also that would be interested in knowing if this opening the door so that all agricultural lands can have multiple units of affordable housing projects or can they also...

Committee Chair Kaneshiro: Your three (3) minutes is up. If you want another three (3) minutes, you can come back? Is there anyone else wishing to testify on this matter for the first time?

JOE ROSA: Good morning. For the record, Joe Rosa. You know, it was from way back when Councilmember Yukimura was the Chairman of the County.

Committee Chair Kaneshiro: Mr. Rosa, try to refrain from pointing out any Councilmembers. Thank you.

Mr. Rosa: I want to emphasize something Committee Chair Kaneshiro. That is how far back things have been come out like fair market. I myself had to make appeals on fair market because what is fair market? I hear it time and time again, fair market, fair market. Fair market is something that people can afford to buy, not what is a given estimate by a real estate agent who sells it double the price of what the County say is market value on your tax statement. I myself, I had to appeal two (2) times because inflationary based on properties sold at Laukona, Hanamā'ulu, and at Puhi. They inflated the price way over the fair market. So what is fair market? Fair market is a price that you and myself can afford to buy, but the real estate says, "Oh, that is the market value." They said land is scarce. Like hell. Land is not scarce. Look at the papers today. It is not moving. Some of the advertisements I see in the paper say it over and over because it is not a fair market where people can afford to buy it. I myself, if I was in a situation today when I bought it in 1960, I would not be able to afford to buy it. I will be honest with you. There is a whole lot of people out that are struggling because the County puts value on a market value and yet, when you the homeowner wants to sell it, you set a price and you have to sell it, you have no takers, you give it to the real estate, it doubles, then the County goes by what was sold, and they charge everybody else in the area. That is not right. So that is the thing I had to say to you people to look into it and confirm the word fair market. Is it based on County market value or a real estate value? I thank you.

Committee Chair Kaneshiro: Thank you. Anyone else wishing to speak for the first time?

BRUCE HART: For the record, Bruce Hart. Part of the reason I wanted to get up here is I just wanted to say happy New Year.

Council Chair Rapozo: Same to you.

Mr. Hart: On the subject of housing, I think Councilmember Hooser defined it well, what is really trying to be done. I want to commend the Council. There was an op-ed in The Garden Island recently by one (1) Councilmember. Right on. This Council has tremendous power. As I have sat here over the months, I see just how much power you have. I want to encourage you to work together on things like this. If you work together, we can have affordable housing. We can bring relief to some of the people who have lived here their whole lives and have bought, worked, and now would like to be retired and enjoy this wonderful island. They cannot because of economics. I think that sometimes people get up here and they do not think that you all realize that you are human beings. You all live here too. Not all live in million dollar homes. Some people have one million dollar ($1,000,000), they want a property, and they are willing to pay it even though it is way above market value. They are willing to come into an old neighborhood and they want that home. They have twenty (20) years left they figure, and they are not going to take the money with them so they buy it. That is the kind of problems. It is a wonderful place to live, but if we work together, all of us, we can come up with solutions. I just wanted to encourage you. Thank you.

Committee Chair Kaneshiro: Thank you. Anyone else for the first time? If not, Mr. Mickens.

Mr. Mickens: Thank you, again, Committee Chair Kaneshiro. For the record, Glenn Mickens. Let me continue. The property tax cap was removed by Council in 2013, but because of much taxpayer protest, the measure to reinstate it for resident owner-occupied property was recently introduced by Councilmember Gary Hooser. At the Council's December 9th meeting, the County

Department of Finance offered a twenty-two (22) page presentation, which took over thirty (30) minutes of Council time. Other witnesses were limited to three to six (3-6) minutes. The presentation provided some history and background, but what was basically a brief opposing the cap and reintroduction. The brief expressed in some cases overstated the contentious customarily made by those favoring annual valuations, but was devoid of any balancing comments justifying a cap.

An illustration of the dubious contentions made in the brief was one arguing that the administration of the cap by the Tax Department could take up to one hundred thousand dollars ($100,000) more than using annual valuations. There are about twelve thousand (12,000) properties owned and occupied by residents requiring an annual assessment of estimated value. This is a time consuming and often inaccurate effort. For the cap, a property typically needs to be only valued once except for the relatively infrequent characteristic changes. The manpower savings in the administration of the capped method appear obvious.

Another illustration of exaggerations made in the brief is that although stability for the taxpayers in the cap is acknowledged, dire consequences are predicted for the County if the cap impairs revenue. The fear mongering is apparent as the cap only affects taxpayers who pay about ten percent (10%) of the total property tax revenues and the fact that the Council can always amend the law if it needs to. Other inappropriate instances in the brief could be cited, but I do not wish to belabor that point.

In my view the County's Department of Finance was condescending and overstepping its proper role to be adjunct to the Council decision making and instead tried to usurp the policy making prerogative that properly belongs to the Council.

(Councilmember Kuali'i was noted as not present.)

Mr. Mickens: The key point though, is that the Council has on many occasions, determined that resident homeowners should be sheltered from the full force of property tax. The present issue is simply what the form of that should be. The Council has a choice of providing what the tax collector wants or what the taxpayers want. The question of what taxpayers want was resolved about ten (10) years ago when the residents voted about 2:1 in favor of a tax cap. Nothing has changed since then. Thank you, Committee Chair Kaneshiro.

Committee Chair Kaneshiro: Thank you. Anyone wishing to testify for a second time? Mr. Taylor.

Mr. Taylor: Chair, members of Council, Ken Taylor. This being the first meeting of the new year, this would be an opportune time to start a good transparency policy. It is really sad to try to participate in activities here at the County building when we cannot get answers to simple questions, we cannot get documents when they are passed out during the meetings, and so on. We have to beg and beg and beg. It seems like transparency is something that is second nature to this Council, and it should be the utmost importance to each and every one of you. I would just like to see starting with this meeting and moving forward through the year, that transparency be a top priority. Thank you.

Committee Chair Kaneshiro: Anyone else wishing to speak for a second time? Seeing none, I will bring this meeting back to discussion.

There being no further testimony, the meeting was called back to order, and proceeded as follows:

Committee Chair Kaneshiro: I just want to say if we are looking to do a new bill, we can do...I will let everybody do their final discussion, but we can do one (1) of go two (2) things. We can either withdraw the motion to approve and just receive it or we can vote "no" on the approval, which in a sense is receiving the Bill anyway. I will let the discussion happen first and then we can decide if we just want to vote "no" on approval and it will just get received and move on, and we will have the new bill coming up. Councilmember Hooser.

Councilmember Hooser: Yes, thank you, Chair. I think I would suggest more than likely to withdraw motion to approve and motion to defer for two (2) weeks. I do not want to take this off the agenda until we have something else. I think it is something that we need to move forward and I am concerned that if we take it off the agenda totally, that it could be months, possibly. Having said that, I am willing to commit personally, to reintroducing something promptly working with the Administration. What I would request is we defer for two (2) weeks, give myself time maybe working with another Councilmember, and the Administration, and then reintroduce something else. I think this is clearly a topic that needs to be dealt with. It is an important concern and a real problem with the wide fluctuations we have had year after year after year. I would like to see it that way. Thank you.

(Councilmember Kuali'i was noted as present.)

Committee Chair Kaneshiro: Any further discussion? Councilmember Yukimura.

Councilmember Yukimura: I am willing to defer it for a month because I want to respect the need of the Administration to work out the details, otherwise, I guess a motion to receive would be appropriate. I appreciate all of the discussion and the work that has gone on, and I think we are moving in the right direction in a way that is going to address the concerns that brought this Bill up in the first place, but in a way that is going to be both fair and workable for the other purposes of our County including raising enough revenue and having proper equity. I really appreciate all of the work that has gone into this. I really hope for a good process in putting the new bill forward.

Committee Chair Kaneshiro: Any further discussion? Council Chair Rapozo.

Council Chair Rapozo: Thank you. The reason for doing a new bill is really because of a technical flaw. It is a simple amendment, really, that changes the method of the cap, but because of the Charter, in my opinion, it does require a new bill. Councilmember Hooser, I think, suggested two (2) weeks. I think that is fair, I mean, I think that is a lot of time. Number one, I am not going to support a deferral for a month because as Mr. Hunt said, the rolls come in in February, right? The tax rolls come up in February. Before you know it, we will be up on a new tax year. If Councilmember Hooser can get a draft bill submitted by the 22nd of this month, then we will put it on for the 27th of this month. That is what I am looking at. I am looking at a new bill by the 27th because again, structurally, I do not see much change. I see a change in the purpose, I see a change in the title, and I see a change in the method of the capping. That is what I see. I think the discussion will come when with it reaches Committee. That is where we fix it. We are not going to come and try to put up a perfect bill before this bill is introduced. I think time is of the essence. I think it is important, and I think two (2) weeks for Councilmember Hooser to work with Mr. Hunt to get a draft proposed is sufficient. I think two (2) weeks is plenty. Then, we will work out the details and the methods or whatever at that time. Councilmember Yukimura can work with Councilmember Hooser. I am not sure if you are working with anybody, Councilmember Hooser. If anyone has concerns about what they want to see, I would suggest letting Councilmember Hooser know. But I believe that two (2) weeks is sufficient for a draft bill to be brought in because again, we are not changing much. We are trying to meet requirements of the Charter and the simple change.

Now the impact between someone that would by receiving a tax cap and that same person getting an assessment cap could be night and day. It could be substantially different and that is why I was uncomfortable with just amending this Bill because the impact to the public is going to be or can be pretty significant. But that is something that we need to vet out in the Committee Meetings. At the end of the day, if we are worried about cutting revenue, if we are worried about reducing revenue to the Administration, that is where the Council has to adjust the tax rates, and that is not possible with the tax cap, but it is with the assessment cap. So, that is just the way it is. It is going to impact revenues. It will. It may reduce revenues substantially. Then, this Council is going to have to make that decision of how we raise the tax rate. That is just the way. We have to pay for government. We cannot get around that. I guess my commitment to Councilmember Hooser is the 27th. If we can get the draft up, we will post it for the 27th, and have the public hearing hopefully in the first week of February. Thank you.

Committee Chair Kaneshiro: I mean, I just want to make a quick comment again as far as the deferral goes. For me, I am confident that Councilmember Hooser is going to be working on this Bill. I do not really see a need for us to have to keep this Bill deferred because I think we are almost at a point of saying, we are going scratch this Bill and we are going to look at this new bill. For me, if we want to just vote "no" on it now and get it out already, we will still have to talk about it at our Council Meeting. I think our focus is going to be on this new bill that Councilmember Hooser is going to be doing anyway. I do not really see the need to defer it, but for me, it is just hey, we scratch this one, and we work on this new bill that is coming up. If Councilmember Hooser was not the person that did the original Bill and is doing the new one, then I would say, "Yes, maybe we need to keep it on because this new one might not be coming." But he is doing the new one. I do not really see the need to keep this current Bill going. That is just my opinion. For now, I will open up for discussion on the current Bill, the cap bill. Councilmember Yukimura.

Councilmember Yukimura: Yes. I do not know what the certification of this year's property taxes has to do with the Bill because I do not believe whatever Bill we pass is going to...in terms of the cap whether it is on assessment or tax cap, is going to affect this year's certification from what I understand. I am confident that we will have a new bill in more than due time.

I want to apologize to Mr. Taylor for not having his concerns being addressed. I think he was trying to say something, but it was not possible for me to find out because we have been prohibited from asking him questions. I think that it was disrespectful to ignore his concerns, but I could not even quite get what his concerns were without asking him questions. I feel that is a real limitation of the rules that we operate under. As for the merits of this Bill that is before us, the cap on the tax creates too many inequities, risks our bond rating, and may really limit our ability to raise revenues. So, I cannot vote for it.

Committee Chair Kaneshiro: Any further discussion from the members?

Council Chair Rapozo: I get tired hearing the same garbage. I know it is a new year. Mr. Taylor is not prohibited from asking questions nor is the Chair prohibited from answering the question. Mr. Taylor, I got your question loud and clear, and I am prepared to answer it. I am just not going to do it and use up your time. I will get your answer to your question. I understood exactly what you said. His question was whether or not item two in the case of properties that are multi-use parcels or structures, the entire property shall receive the Homestead tax cap, but shall be classified and taxed at highest applicable tax rate based on the property's use. Mr. Taylor's question was very simple. Is that going to open up the floodgates for people to come with agricultural parcels with rentals to come in and get this rate? There is a whole separate rule, a whole separate bunch of laws that govern multi-use dwellings on agricultural lands and so forth. All this says is if you have multi-use in household commercial or whatever it is called and multi-use on one (1) property, you are subject to it to the cap, however, you are going to be taxed at the highest tax rate based on the use of that property. Now number one, I do not support that for one. But that is not here, nor there. As far as opening the floods gates, this does not provide additional use or grant additional use to a person nor is it going to get people to come in to open the floodgates, as I think as you said.

I just want to say, if you have a question of us and you want us to answer it, you want us to answer it on your time, on your three (3) minutes, fine. I can give you a two and a half (2½) minute response that is going to milk your time or you can submit the question to the Chair or ask the question of the Chair and have a response at a later time. If we are going to every single issue we are going to come back to the rules thing, it is just frustrating and not a good way to start the year. I am hoping Mr. Hart's message is heeded. Let us try to make a change. Let us try to work together. Let us stop dealing with the past and move forward. I appreciate your commentary, Mr. Hart. I really do. Thank you.

Committee Chair Kaneshiro: Thank you, Council Chair. I also had his questions written down, and I was going to answer them. You answered them. I think that is the time to answer them, when we are in discussion, we can take the time to answer what they are saying, or Ken can always E-mail us and we can answer him. There is a lost opportunities for us to get answers to people that need answers. Councilmember Hooser.

Councilmember Hooser: Thank you. In the spirit of the new year, 2016, I think we should all look forward to working together as best we can and communicate as clearly, as civilly, and as professionally as we can. I think two (2) or three (3) times perhaps before we start saying things. I look forward to the new year. My comment is about the issue that is on the table. I appreciate what the Chair is saying, that if we have an alternative that we think is better, let us kill the other one and move forward with the new one. However, this is the first time I have been exposed to the new proposal and it does sound attractive, but I would rather, as introducer of the first one, keep it on the table until we hear public discussion until we really vet the second one, and then we could compare the two (2) of them and pick the one that is best. There is no question that we need to provide tax relief in the form of some kind of cap on sudden increases. Which is the best alternative? I am not one hundred percent (100%) clear. I am attracted to this new one, but this is the first time that I have heard about it. We have not heard any public testimony on it. I would ask that we keep the other one on the table, if we could, by deferring it for two (2) weeks at least to hear the other one. That would be my request. Thank you.

Committee Chair Kaneshiro: Councilmember Kagawa.

Councilmember Kagawa: Sometimes to understand what we are doing you have to understand why we are here. In 2013, the Administration convinced four (4) Councilmembers of this Council that the *ad valorem* method was fairer and that there were some huge discrepancies; some people paying way too little and some people paying way too much. This cap was on for ten (10) years and in our wisdom, I think myself and Council Chair Rapozo voted "no" to removing that cap because we felt rushed. We did not feel we had enough information from Mr. Hunt. I think the proof is in the pudding with the Band-Aids that came after that were made. The ink did not even dry in 2013, and in 2014 we put a two hundred fifty dollars ($250) cap on any increase that was affected by this *ad valorem* method. I was quite upset that we did that relief. I supported it because I felt like some of the people that had huge tax increases were in trouble of losing their homes, but if you think about that two hundred fifty dollars ($250) tax limitation, there are some people that maybe were paying five hundred dollars ($500) more so they saved two hundred fifty dollars ($250). There are some people that were paying fifteen thousand dollars ($15,000) more. So, they got a tax break of fourteen thousand seven hundred fifty ($14,750). How is that fair? But we just pulled out that number and said, "Nobody can get a Bill higher than two hundred fifty dollars ($250)." So last year, we did not really do any big Band-Aids. We let it go and now we are having a flood of complaints again, and we are putting effort now for another cap or Band-Aid because we changed. I think what is really needed is an overall tax reform, and the fairest way I can think of trying to do fair real property taxes is to use costs. Nobody can complain about costs.

When you look at that lady in Ōma'o. I am not going mention her name, but she went through the appeal process and her assessments went up over one hundred thousand dollars ($100,000) in two (2) years. Part of the problem was her house is in Ōma'o and they are using comparables in Po'ipū. She appealed it and she lost. But I mean, it is those kind of things. We need overall tax reform that brings, I think, more fairness. The Real Property Tax Division, they are following the rules. I think the rules are messed up. If you are using assessments in Po'ipū for a house in Ōma'o, the comparables should be right next to your house. It should not be someplace near the beach if you are way up on the mountain. I guess, I do not know what the real answer is. I believe we should put more effort in tax reform and we need to use costs, I believe, is the answer. But this is another Band-Aid. Yes Band-Aids are good when things are broken. When there are wounds, you need to put a Band-Aid, and there is a wound right now. We need to protect those people that have increases that are basically threatening their livelihoods, their need to keep their home, and need to pay their Bills. So just reasonable fair taxes is what we are trying to achieve, but I think the original cap did just that. It limited increases basically to no higher than two percent (2%) over the prior year's bill. We can talk about whether that decision was right or wrong, but I truly believe we do not have a better method when we changed to *ad valorem*. To me, let us put more effort into tax reform than Band-Aids because I think overall tax reform will eliminate the need for Band-Aids every six (6) months or whatever we are doing. Thank you, Chair.

Committee Chair Kaneshiro: Councilmember Chock.

Councilmember Chock: Thank you. Just in terms of what we need to do today, I am pretty indifferent to how we would move forward if it is to receive or defer. I will be voting on either because I am pretty confident that we will be moving towards the draft that I have seen. I am a little more content since I have seen it and can get it out fairly quickly in the process. I think the message for me is about change and I guess how to best achieve change is done incrementally. To look back at 2013, when the cap was taken off, I think what was unforeseen was that change was going to be huge upheaval all at once. We could have done things at the very beginning to hinder that, but not to change will cause that upheaval and that is what happened for about ten (10) years. It seems like while I do agree, I think there is a lot more discussion and more insight on our tax and tax reform that we are moving in the right direction in trying to accomplish creating some stability for people as we move forward. I am looking forward to this new look and hopefully, it will bear some fruits in providing stability for our taxpayers and also our County. Thank you.

Councilmember Yukimura: Councilmember Yukimura.

Councilmember Yukimura: So one of the problems with a tax cap is that there is no way to remove it without a drastic change, and the longer you wait, the change is greater, and that is the problem. I want to remind everyone that when we did remove the tax cap, we offset that change by increasing the exemption dramatically too to try to soften the impact. Then, what Councilmember Kagawa has called "Band-Aids" were actually more targeted relief that effectively addressed the problems that people brought forth to us without jeopardizing our bond rating. So in effect, it was tax reform and it was a better solution than the tax cap. We still have some problems and so now we are looking at a cap on assessment to address those issues that were not addressed by some of our targeted relief. I do feel like we are creating tax reform incrementally, and taxes are not a simple thing to deal with. They are quite complex. When you move one (1) thing, you have to watch how another thing is affected. I think we are moving in the right direction.

Committee Chair Kaneshiro: Councilmember Kuali'i.

Councilmember Kuali'i: I tend to agree with the comments of Vice Chair Kagawa, but what Councilmember Yukimura was just talking about is what are those few problems that remain and need to be addressed? I mean, with all of the recent changes, these new exemptions, the increase to the exemption, the income exemption, the three percent (3%) gross income limit, the home preservation limit, with all of that, how is that changing what has happened historically and how is that making it better? Again, by the next meeting, hopefully I will have a thorough analysis of the big picture and of the individual impacts so we can say what is even the need for such a cap and are we doing more harm than help in the long run? In this next cycle in February when we get the tax roll, we just have to really look at it and make those decisions. Every year during budget we have that opportunity to either raise, lower, or leave the rates the same. The mechanism is already in place for us to deal with drastic increases to assessments. Yes, it is all or nothing. We cannot fine-tune and do surgery on individual properties, but that is the tools that we have and we do best that we can. That is pretty much how I see it so far. I am going to do more thorough analyses and try to pinpoint how can we maybe do a little bit more to fine-tune and address the problems that still remain, but I am leaning towards the side of let us really be clear of what is actually needed at this time. Thank you.

Committee Chair Kaneshiro: Any further discussion from the members? For me, I am pretty adamant. I am against a tax cap. I think we heard a lot of information regarding the disadvantages of a tax cap. One of the biggest disadvantage is that it ties our hands. Once you set a tax cap, you are not able to adjust anything. Assessments may fluctuate. You cannot adjust the tax rate. The tax is set, and that could affect us as far as our bond rating, the County's ability to continue, and it will pass the burden on to all the other tax categories. I think the main thing on the tax cap that I guess for me, I am not comfortable with is inequity that it causes. I have a house now. I get my taxes capped. Say my cousin who has been working has not been able to afford a house and buys a house five (5) years later right next to me, he his tax of taxes are way higher because he gets taxed at whatever he buys his house at. Is that fair? Is that fair that I have my house now, mine is capped, my cousin, who I love buys a house next to me and he has to pay a higher tax on his house? Comparable houses. If there is any way to get rid of those inequities, and that is the biggest inequity I see. I think that is why previous Council tried to adjust it because of inequities. They tried to make it for fair between everybody. We really have to get a handle on what are we trying to do? Are we trying to provide tax reform? Are we trying to provide tax relief? Are we making it fair for everybody? Are we trying to protect current homeowners? There is a lot of things that go into tax setting, tax capping, and what we are looking at. As far as looking at capping assessments, I am probably a little more open to that then a tax cap. But again, how do you stop that inequity? Is it fair that there are college students in the mainland that are going to move home, work, buy a house, and they have to pay a tax way higher than us just because they came in later? I do not know. They get the same services. So, that is the biggest inequity. If you can cap assessments and the assessment is a fair percentage, four percent (4%), something like that, I could see things moving and it may be close to what the market is. It is not going to get a big jump. You are not going to get a fifty percent (50%). You are not going to get double your taxes in one (1) year with an assessment jump. It is going to stay level. I do see the benefit in a cap that kind of just keeps fluctuations a little more narrow.

Looking at the current Bill, I did have a few problems with some of the verbiage. If there is a new bill coming up things like natural disaster. If there is a natural disaster, your home gets blown down by hurricane, you rebuild, it said your tax cap is still set at the lower rate and it does not reassess your house. Even if you build a house twice as big, your assessments would be capped, I think it was based on the CPI no more than what you paid in the prior year. That might be something you might want to look at. I think we heard the things that we want to do. You want to set a floor, which this current Bill did not have. We want to set a ceiling. We want to set a set cap rate so people know what they are getting and any way to limit that inequity. Also, to answer Mr. Taylor's question, are we looking at a new bill? Yes, we are looking at a new bill. We are talking about that today.

Also, when we look at these, we need to compare apples to apples. There is a lot of new things that we have added as far as exemptions, income exemptions, and tax relief measures. At a time when we had a cap and we reset it, we are not really comparing apples to apples as to the time setting the cap prior and setting a cap now because homeowners now have a lot more options as far as income exemption and just their general home exemption is larger than it was before. There is a lot to consider when we look at it. I guess I am just trying to hammer the point that there is a lot to look at and consider when we are going through this. I will be interested to see what the new bill is. I know there were other Councilmembers that were looking at doing an amendment to the assessment. So they can probably provide some input to Councilmember Hooser as far as what they were looking at too. They spoke to Steve about it. With that, I will open it up to the Councilmembers as far as what we want to do, if we want to defer it, if we want to vote on it and receive it. It is up to the members.

Councilmember Kuali'i: I will make a motion to receive.

Councilmember Kuali'i moved to receive Bill No. 2606 for the record, seconded by Councilmember Yukimura.

Councilmember Yukimura: Oh, wait. We cannot because there is another main motion.

Council Chair Rapozo: There is an active motion.

Councilmember Kuali'i: What is the motion? Was there a second?

Committee Chair Kaneshiro: The motion was to approve.

Council Chair Rapozo: Yes.

Committee Chair Kaneshiro: So we would have to withdraw the approval and the second.

Councilmember Kuali'i withdrew the second for approval of Bill No. 2606.

Committee Chair Kaneshiro: Who made the motion?

Council Chair Rapozo: Councilmember Hooser made the motion.

Councilmember Hooser: I am not going to withdraw the motion to approve if the subsequent motion is going to be to receive. I am open to deferring it for two (2) weeks, but if the body wants to vote it up or down. I just cannot bring myself to kill this measure, which I believe is very important, unless there is something ready and was the will of this body to replace it.

Committee Chair Kaneshiro: We can just vote on the approval now.

Councilmember Kuali'i: We need a second.

Councilmember Hooser: You seconded.

Councilmember Kuali'i: I withdrew.

Committee Chair Kaneshiro: Oh, he withdrew his second.

Council Chair Rapozo: Councilmember Hooser, if you want to make a motion to defer, why do not you do that? That trumps the motion to approve, and we can take a vote on the deferral.

Councilmember Hooser: Okay.

Councilmember Hooser moved to defer Bill No. 2606, seconded by Council Chair Rapozo.

Committee Chair Kaneshiro: Roll call.

The motion to defer Bill No. 2606 was then put carried by the following vote:

FOR DEFERRAL:	Chock, Hooser, Kagawa, Rapozo	TOTAL – 4*,
AGAINST DEFERRAL:	Kuali'i, Yukimura, Kaneshiro	TOTAL – 3,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

*(*Pursuant to Rule No. 5(b) of the Rules of the Council of the County of Kaua'i, Councilmember Kagawa was noted as silent, but shall be recorded as an affirmative for the motion.)*

Committee Chair Kaneshiro: What was that?

Ms. Arakaki: Four (4) ayes.

Committee Chair Kaneshiro: Four (4) ayes. It is deferred. Clerk, can you please read the next item?

Council Chair Rapozo: Mr. Chair, can we take the caption break now. We are ten (10) minutes away and I know we have the Department of Public Works coming up. I would just ask for the caption break now.

Committee Chair Kaneshiro: Ten (10) minute caption break.

Council Chair Rapozo: Thank you.

There being no objections, the Committee recessed at 10:19 a.m.

The meeting was called back to order at 10:31 a.m., and proceeded on its agenda items, as shown in the following Committee Reports, which are incorporated herein by reference:

CR-BF 2016-01: on Bill No. 2607 A BILL FOR AN ORDINANCE AMENDING ORDINANCE NO. B-2015-797, AS AMENDED, RELATING TO THE CAPITAL BUDGET OF THE COUNTY OF KAUA'I, STATE OF HAWAI'I, FOR THE FISCAL YEAR JULY 1, 2015 THROUGH JUNE 30, 2016, BY REVISING THE AMOUNTS ESTIMATED IN THE DEVELOPMENT FUND *(Kōloa/Po'ipū Intersection Improvements, Po'ipū Realty Partners, LLC – $41,000)* **(Approved as Amended.)**

CR-BF 2016-02: on Bill No. 2608 A BILL FOR AN ORDINANCE AMENDING ORDINANCE NO. B-2015-797, AS AMENDED, RELATING TO THE CAPITAL BUDGET OF THE COUNTY OF KAUA'I, STATE OF HAWAI'I, FOR THE FISCAL YEAR JULY 1, 2015 THROUGH JUNE 30, 2016, BY REVISING THE AMOUNTS ESTIMATED IN THE DEVELOPMENT FUND *(Kōloa/Po'ipū Intersection Improvements, Kiahuna Fairways, LLC – $47,750)* **(Approved as Amended.)**

There being no further business, the meeting was adjourned at 10:55 a.m.

Respectfully submitted,

Allison Arakaki

Allison S. Arakaki
Council Services Assistant I

APPROVED at the Committee Meeting held on February 3, 2016:

Arryl Kaneshiro

ARRYL KANESHIRO
Chair, BF Committee